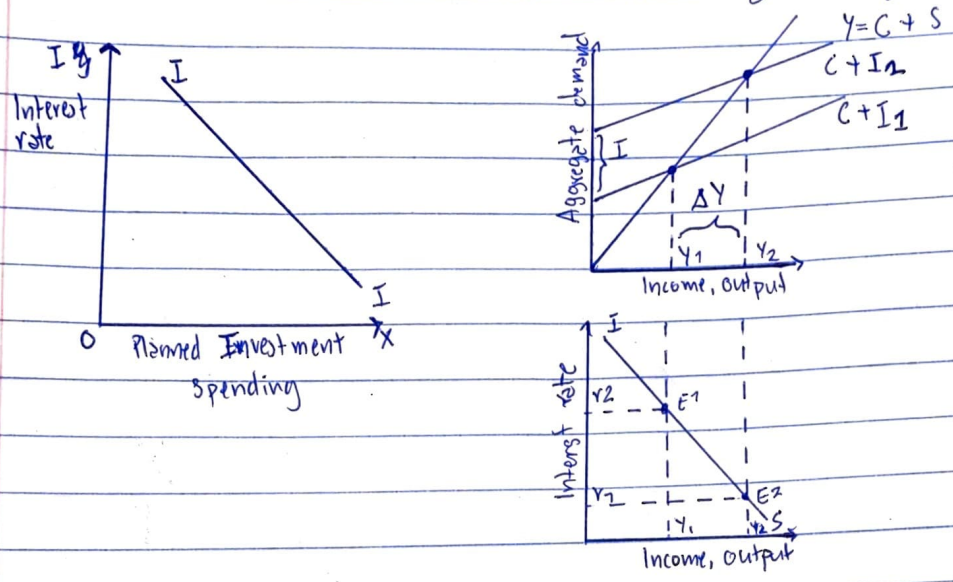


EE212 Quiz

Question 1:

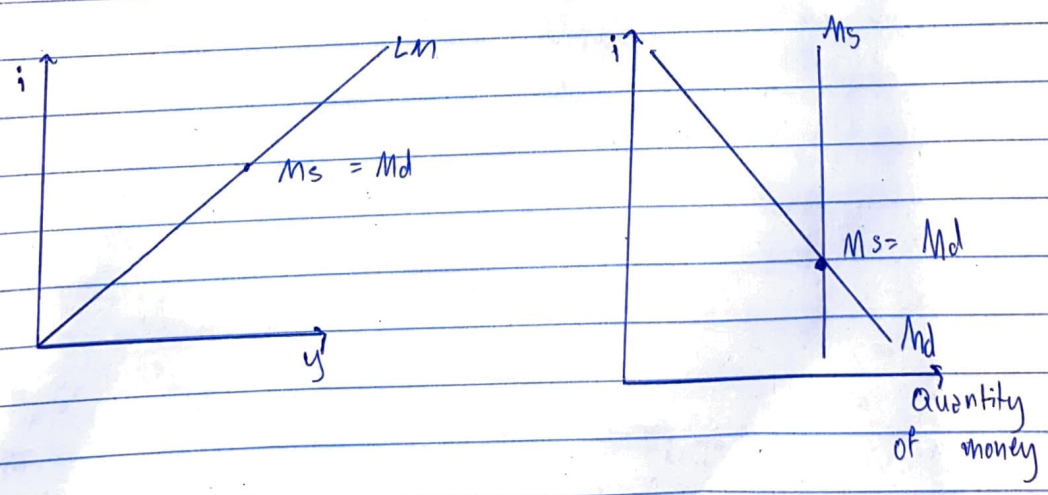
The IS curve shows the investment and savings from the good market. The locus for the IS curve is taken by the good market equilibrium.



The IS curve slopes downwards towards the right, this shows that if the interest rate decreases, individuals and businesses will invest in long-term investment such as property and business will spend less and save less.

Question 2:

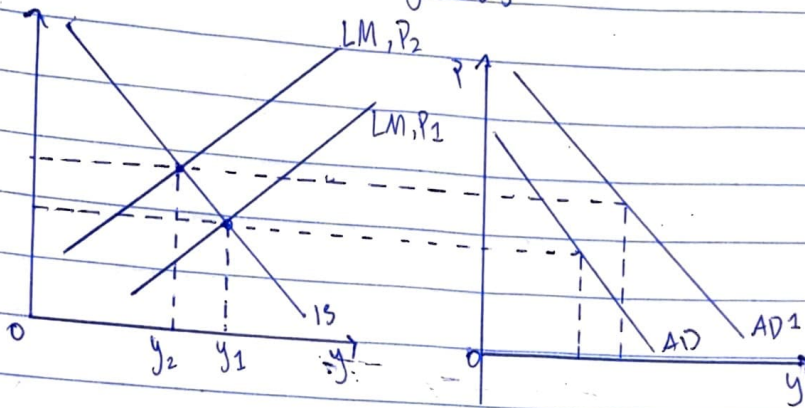
The LM curve is showing the liquidity and money in the market.



Question 3:

The AD-AS shows the changes in price level and the national income which is why it can be derived from the IS-LM graph as that graph shows the money and goods market with which is needed.

In the AD model P is endogenous



Question 4:

SRAS is the short-run aggregate supply curve, it allows us to look at all the different firms in an economy to stick price. The curve of the ~~SRAS~~ SRAS goes upward due to sticky wage because of employment contracts.

Labor demand.

$$P \uparrow \Rightarrow W \uparrow \Rightarrow W/P \downarrow$$

